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SUBJECT: INNER MONGOLIA NPC DEPUTIES TO CENTRAL GOVERNMENT: WE'LL
DO IT OUR WAY

REF: (A) BEIJING 588
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SUMMARY

¶1. (SBU) Inner Mongolia Autonomous Region's NPC Deputies met on March 7 and stated that they would continue to pursue rapid economic growth despite Central Government efforts to cool growth. Inner Mongolia remains focused on the energy sector as its engine for growth, and a Petro China official said Inner Mongolia's energy sector is increasingly important for China to meet its production targets. A number of foreign journalists attended the delegation meeting, indicating the growing level of interest in Inner Mongolia's energy sector. END SUMMARY.

INNER MONGOLIA: FULL STEAM AHEAD

¶2. (SBU) Inner Mongolia Autonomous Region's Delegation Meeting on March 7 focused on continuing a policy of rapid GDP growth as the provincial-level entity in Western China seeks to build its economy from a low GDP base. Inner Mongolia's GDP grew by 19 percent in 2007, which followed GDP growth rates of 19 percent, 21 percent, and 18 percent in 2004, 2005, and 2006 respectively. Inner Mongolia's GDP growth continues to exceed the national average, which was 11.4 percent in 2007, despite repeated calls by the Central Government to cool down growth and slow fixed asset investment (Ref A).

¶3. (SBU) In Inner Mongolia's case, the State Council already reprimanded Inner Mongolia officials on at least one occasion in 2006 for building an unauthorized power plant in pursuit of economic growth (Ref B). The continued emphasis on GDP growth at the March 7 meeting was billed by one NPC Deputy as supporting Inner Mongolia's transition from "fast and sound development" (you kuai you hao) to "sound and fast development" (you hao you kuai), but Inner Mongolia's economy still is "not mature," he said.

IT'S ALL ABOUT THE ENERGY SECTOR...

¶4. (SBU) Inner Mongolia's primary focus remains the energy sector as evidenced by the first presentation of the Delegation Meeting being given by an NPC Deputy who is a representative from Petro China's Inner Mongolia office. The Deputy said Inner Mongolia would continue to expand its oil and natural gas sectors, as they are important both to Inner Mongolia's development and China's energy sector. If GDP growth exceeds 15 percent as a result, then that is fine, the Deputy said. (Note: Inner Mongolia has abundant coal, oil, natural gas, and metals reserves. It is also estimated to have 80% of the world's deposits of rare earths.)

¶5. (SBU) Wang Linxiang, a NPC Deputy and CEO of the Erdos Group, the "Cashmere Kings of China," walked out of the meeting for a break 20 minutes after it started. Wang told Econoff that the meeting was "going OK" but he wasn't personally interested because the delegation's focus was all about energy.

...AND INFRASTRUCTURE, TOO

¶6. (SBU) Inner Mongolia Deputies also emphasized the importance of improving infrastructure in the province, which has one of the lowest population densities in China. Inner Mongolia still needs development in highways and railways, one deputy said.

FOREIGN JOURNALISTS INTERESTED

¶7. (SBU) Signaling the growing importance of Inner Mongolia in China's energy sector, several foreign journalists (including representatives from Dow Jones and Bloomberg) attended the meeting even though there were many other meetings that were open to the press at the same time. A Bloomberg journalist told Econoff that she was closely scrutinizing everything Inner Mongolia officials said about oil production targets. Unlike several other delegation meetings where there are few journalists, Inner Mongolia deputies had to deflect questions from several journalists every time they left the meeting room.

COMMENT

¶8. (SBU) The Inner Mongolian Deputies' flat defiance of the Central

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Government instruction to slow growth highlights the political-economic restraints Beijing faces in trying to curb overeating, and the fact that deputies were willing to say so in a public session may be an indication of the NPC's growing importance as a forum for airing dissenting views on the economy.

RANDT